



Mail Service Business Line
FISCAL YEAR 2008 – 2012 PLAN

This Business Plan describes the history, organization, planning, objectives, and operations of the Mail Service Business Line in the Department of Energy's (DOE) Working Capital Fund (WCF), and is organized according to Balanced Scorecard (BSC) planning concepts. This plan uses the trends and lessons learned from the WCF's first ten years of operation to meet DOE and Office of Management, (MA) strategic goals, and describe performance measures that will result in a more efficient and more customer - oriented Business Line.

The Mail Service Business Line provides a variety of mail services for all official and other authorized mail for DOE and its employees. The services provided include the processing of all incoming postal mail, outgoing official mail, internal mail processing, and special services including: accountable mail processing, pouch mail, a variety of overnight express mail services, directory services, and pick-up and delivery services. Mail Centers are found at the following locations:

- Forrestal Building—Room GL-084
1000 Independence Avenue, SW
Washington, DC 20585
- Germantown Building—Room E-066
19901 Germantown Road
Germantown, MD 20874
- 270 Corporate Center—Room 1003
20300 Century Boulevard
Germantown, MD 20874

Mission: To provide for the processing of all incoming postal mail and outgoing mail service within DOE HQ.

Vision: Provide cost-effective mail services that meet the changing needs of our mission programs and exceed customer expectations.

Balance Score Card Objectives:

- **Customers:** Improve customer satisfaction.
- **Financials:** Reduce customer's mailing costs.
- **Internal Processes:** Streamline internal processes and apply best practices and technology advancements.
- **Learning and Growth:** Enhance the effectiveness, knowledge, and satisfaction of Mail Service Business Line employees.

Accomplishments:

The following are some of the accomplishments of the Mail Service Business Line:

- A "**Best Practices**" initiative was implemented; FY07 savings versus Comparable FY06 work shows an agency postage savings of \$29,700.

- The DOE Mail Management's Mail Operations Team received a special Postal Service Award., presented by Jerry D. Lane, Vice President Capital Metro Operations. The prestigious **Mail Center Excellence Award** was given for excellence and outstanding best-mail practices and for maintaining a professional relationship with the Postal Service Business Service Network
- The DOE Mail Management team and its **Special Mail Center Outreach Program** received special recognition from GSA for our continued support and assistance helping other federal agencies converts from the Official Mail Accounting System (OMAS) to the Commercial Mail Accounting System (CMAS). DOE's mail management's "Best Practices" is now recognized throughout the federal government as efficiency bench marks.
- Mail Center team members (3) graduated from the **Executive Mail Center Manager** (EMCM) Certification Program sponsored by the U.S. Postal Service Postal Customer Council.
- Mail Center team members participated on the Government Mailers Advisory Council (GMAC), receiving special recognition for participation from the advisory board chairman. The recognition was for supporting the initiative to improve government mail service centers customer service.

For more information on Mail Services please visit:

http://management.energy.gov/administrative_services/mail_operations.htm

Planning Process: The key performance objectives of the business line are:

- With advancement in technology and budget constraints, continue to reduce costs of a mail stop;
- Seek more vendors that can express same day mail delivery to most major cities, and two days international;
- Continue to use state-of-the technology and equipment, while evaluating replacement versus costly repairs of inefficient, obsolete equipment;
- Benchmark with other federal and local government agencies and private companies to stay current with any Mailing changes, advancements and improvements.

We implement pricing policies that are based on the guidelines provided in the *Working Capital Fund Guide to Services, Policies and Procedures* (the Blue Book or at website www.wcf.doe.gov)

Environmental and competitor analysis: Events linked to terrorism have impacted the mail business, causing business line managers to change processes to ensure the safety of mail business employees as well as the larger DOE community. Although GSA has the federal leadership in mail security, the DOE has a working group made up of the Office

of Security, the DOE Health Center and Building and Mail business line employees. This working group addresses DOE mail security issues and works with the GSA to develop plans to protect federal employees and their workplaces.

Many Program Offices are identifying methods to reduce their mailing costs. An immediately available method is to increase the use of electronic mail. Although electronic mail cannot replace the need for, and versatility of, mailing services, it is clear that the information age has given customers more tools to meet their communication needs. The Mail Service Business Line has identified bulk mailing as a market area where our knowledge and expertise can be utilized to provide cost effective services to our customers that is not otherwise available. The Mail Service Business Line has begun planning to provide more comprehensive, lower cost bulk mailing options for its customers.

The DOE utilizes the new Postal Services Priority Mail Flat Rate shipping boxes to reduce cost of the premium priority mail service, and priority pouch mail. DOE receives premium priority mail at a discounted cost which saves on postage expenditures.

External regulation and partnerships: The Mail Service Business Line is dedicated to utilizing vendors mandated by the Javits, Wagner, O'Day Act (National Institute of the Blind, and National Institute of Severely Handicapped), as well as the General Services Administration. The Business Line also supports economically and socially disadvantaged firms in the Small Business Administration program.

Resources and capabilities of the organization: The management team is comprised of individuals whose backgrounds consist of over 60+ years of professional knowledge in mail services. In addition to the management team, the support services contractors form a major resource available to the Mail Service Business Line. Didlake Inc., a contractor resource, provides support and management services for the Mail Service Business Line.

Needs and capabilities of customers: Our customers validate key information, such as the number of mail stops, at the beginning of each fiscal year and pay an annual mail stop cost of \$11,880 per stop. We then work with the customer to adjust these charges, if necessary, on a semi-annual basis. United States Postal Service charges and Express Service charges are billed monthly, based upon actual usage. Customers pay for indirect charges related to Express Mail Labor and USPS Outgoing Labor cost based on their percentage of usages for prior six months. Customers pay Mail Security based on their percentages of incoming USPS mail over the previous six-month period.

Future competitive advantages: The Mail Service Business Line's focus on efficiency and cost savings allowed the absorption of Shuttle Bus Services, resulting in a business line name change to **Mail and Transportation**. Courier Services will be added to the business line for FY 2009.

Mail Team members are researching the latest technologies that will improve the addressing of outgoing of large bulk mailings that will help qualify the mailing for special postal discounts.

Balance Score Card Elements:

Customer Objective: Improve Customer Satisfaction.
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Our customers value quick and accurate delivery of mail, good service delivery for express mail and other delivery services, in addition to mail security and safety. In order to measure our performance related to these customer values we survey key customers and managers for their satisfaction with our overall service. The results are reproduced below for the *2004 Customer Satisfaction Survey*

The business line is continuously evaluating methods to reduce processing and delivery time. This includes new sorting methods, optimizing delivery routes, and procuring new sorting equipment.

Performance Goal	Performance Standard
Improve customer service	Zero customer complaints regarding on-time delivery of mail.

Strategies for Improving Customer Satisfaction	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012
Conduct Business Line Self Assessment customer survey	X	X	X	X	X

Baseline:

2004 Mail Services Customer Satisfaction Survey

Customer Satisfaction Responses (A total of 100 responses received)

RESPONSE	NUMBER RESPONDING	PERCENT
Excellent Service	30	30%
Very Good	54	54%
Satisfactory	16	16%
Poor	0	0%
Don't Know	0	0%

Financial Objective: Reduce customer's mailing costs.

Internal Mail: Improve performance of support contractor by increasing value of services to customers and gaining efficiency in current operations. Contractor costs are fixed; however, due to irregular levels of activities we utilize resources by assigning staff to other tasks, either in the business or outside of the business. Within the business there are new activities related to internal program mail services and sorting outgoing mail into larger lots to take advantage of bulk mail discounts. Outside of the business there are opportunities to use these resources in other Fund businesses, for example, the Copier and Printing Business. The measure of this productivity improvement is the actual cost of work performed compared to the budgeted cost of work performed.

Bulk Mail: The term "bulk mail" refers to quantities of mail prepared for mailing at reduced postage rates. The Postal Service uses the terms "bulk" and "presorted" interchangeably. Bulk rates are discounted from "single-piece" rates. "Single-piece" means that you pay the full postage rate; when you put a 41 cent stamp on a letter, you're paying the single-piece rate.

The Postal Service offers discounts for bulk mailings because you do some of the work that otherwise would have to be done by the Postal Service (for example, sorting the mail by ZIP Code or transporting the mail to a different postal facility).

The Mail Service Business Line is committed to working with our customers to identify ways that they can take advantage of discounted bulk mail rates. This could mean combining the mail from several offices to meet the minimum requirements for bulk rates or employing other cost saving strategies.

Performance Goal	Performance Standard
Reduce mail costs for program offices.	Improve contractor productivity.
	Increase the use of presorts mail services.

Baseline:

Three (3) program offices continue to use Bulk Mail Service from Fiscal Year 2001 through Fiscal Year 2007.

Strategies for Improving Financial Efficiency	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012
Review customer needs to identify needs and requirements related to domestic and international mail.	X	X	X	X	X

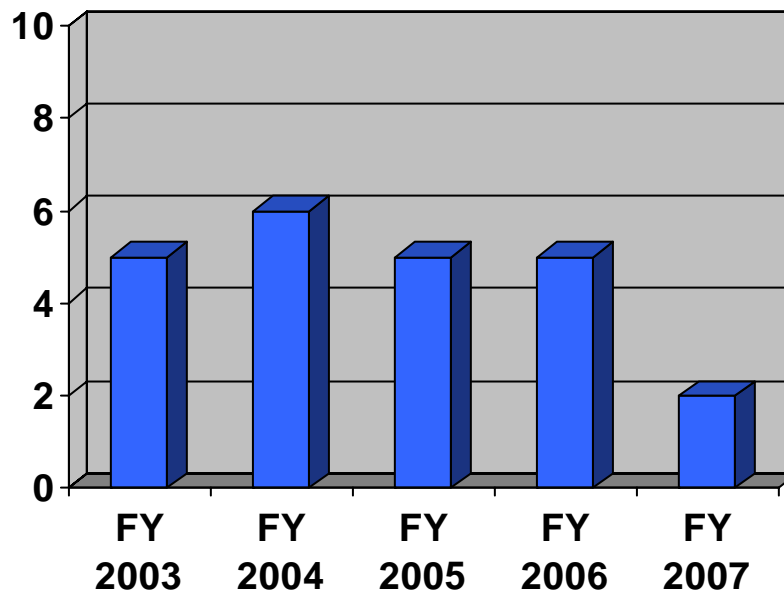
Internal Processes Objective: Streamline internal processes and apply best practices technology advancements.

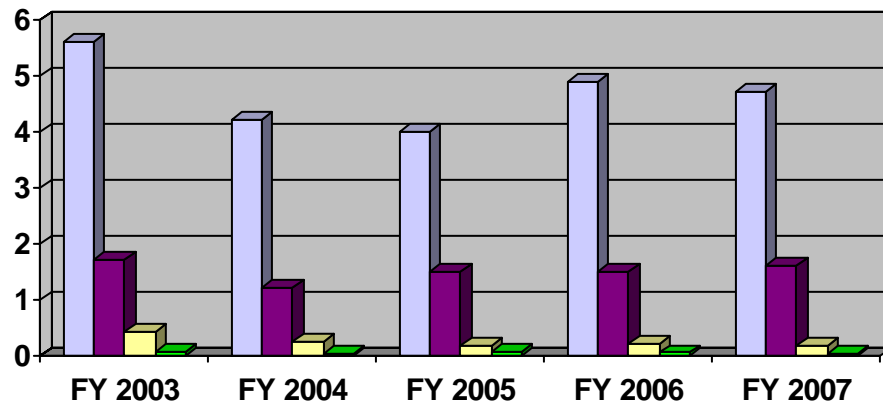
A security incident is defined as an incident with mail that could pose an immediate threat to the health, safety, and well-being of DOE employees. Mail is screened using several different methods. The Mail Service Business Line continues to work closely with DOE security personnel and other trained personnel because safety and mail security are top priorities of the Mail Service Business Line. All mail staff is trained on security issues. We believe that a well-trained and educated work force is the first line of defense, and also the most efficient and cost effective.

In response to threats in the mail, the business has changed its processing to add an additional security check of certain mail before it is sorted in the mail room. This change has not only increased the security for mail employees; in fact, it has made the workplace safer for the entire DOE community.

Performance Goal	Performance Standard
Improve personnel safety	Establish improved sensing/ID processes for incoming mail.

Baselines:





■ Incoming Postal Mail
 ■ Internal Distribution
 ■ Outgoing USPS Mail
 ■ Special Services

Strategies for Improving Internal Processes	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012
Attend training focused on mail safety and security	X	X	X	X	X
Benchmark internal processes against other federal agencies	X	X	X	X	X



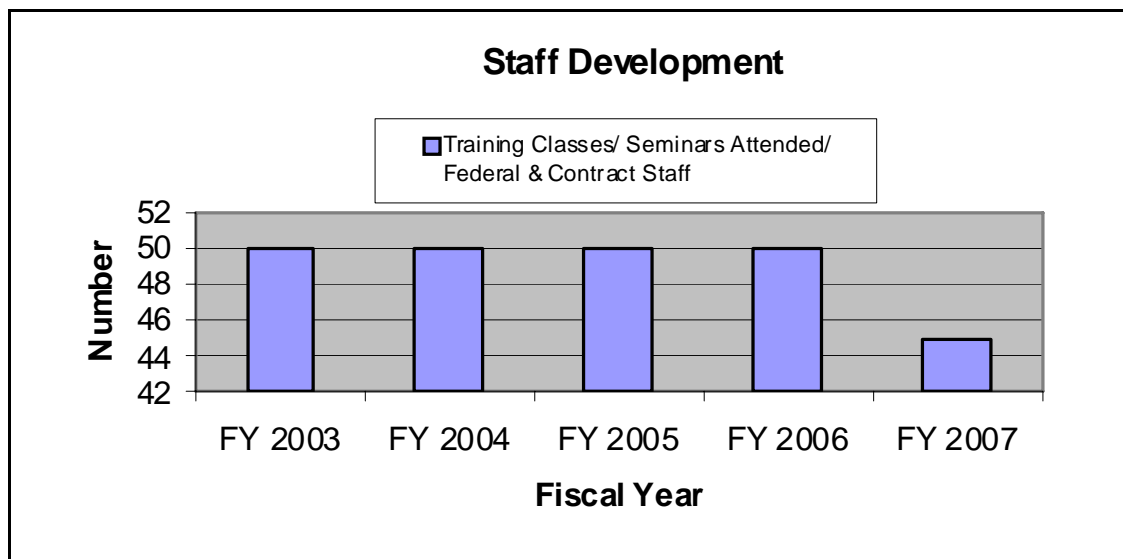
Learning and Growth Objective: Enhance the effectiveness, knowledge, and satisfaction of employees.

Well-trained and highly skilled staff is better equipped to provide outstanding service to the business line's many customers. To achieve this, the business line federal staff will develop and implement a comprehensive training program that exposes contract staff to classes on computers, mailing equipment and best practices in the postal industry.

We have performed an annual review of current and proposed Business/Operational drivers and we have determined training and development needs for this business.

Performance Goal	Performance Standard
Train and develop federal staff. 100% of Federal Staff has IDP's in place. Train and develop contract staff.	100% of staff attends at least (two) 2 class or seminar per quarter.

Baseline:



Strategies for Improving Employee Learning and Growth	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012
Develop specialized training schedules for each employee	X	X	X	X	X

Economic Analysis of the Mail business:

Inputs to the Mail business are federal and contractual personnel, postage and express mail charges, postage metering equipment, and miscellaneous supplies utilized for the sorting and handling of mail and for the secure mail handling by employees of this business. For the purposes of billing programs for the service provided by the Mail business, the business is segmented into pricing segments. These pricing segments differ in processes, suppliers and customers. Federal employee and related expenses are prorated to direct consumption charges (postage and express mail) or to certain direct labor charge contracts that provide manpower to the various segments. The source data for this analysis are DOE actual accounting reports and other published sources¹.

FY 2006 (\$ thousands)

(\$000)	Overhead			Direct			Percent of Costs				
	Federal FTE	Related Exp	Other Mgt	Labor	Material and Supplies	Subtotal	Federal FTE	Related Exp	Other Mgt	Labor	Material and Supplies
Pricing Segment											
Mail											
Internal											
Distribution	93.83	115.01		1,079.00	-	1,287.84	0.07	0.09	-	0.84	-
Postage	26.61	32.62		-	306.00	365.23	0.07	0.09	-	-	0.84
Express Package	13.39	16.42		-	154.00	183.81	0.07	0.09	-	-	0.84
Security and Handling Overhead	52.17	63.96		600.00		716.13	0.07	0.09	-	0.84	-
Subtotal Mail	186.00	228.00		1,679.00	460.00	2,553.00	0.07	0.09	-	0.66	0.18

(\$000)	Unit Cost (whole dollars)							Incremental Costs				Pricing Policy
	Units /1	Federal FTE	Related Exp	Other Mgt	Labor	Material and Supplies	Subtotal	Incremental Costs	Fixed	Variable		
Pricing Segment												
Mail												
Internal												
Distribution	73	1,285.29	1,575.52	-	14,780.82	-	17,641.63	-	1,288.00	-	-	Usage
Items thousands	6,500	0.01	0.02	-	0.17	-	0.20	-	1,288.00	-	-	Usage
Postage	206,379	0.13	0.16	-	-	1.48	1.77	1.48	60.00	306.00	-	Usage
Express Package	9,481	1.41	1.73	-	-	16.24	19.39	16.24	32.00	154.00	-	Usage
Security and Handling Overhead	1.00	n/a	n/a	n/a	n/a	n/a	n/a	n/a	716.00	-	-	Tax
Subtotal Mail									2,096.00	460.00		

/1 73 Mailstops; 6.5 M pieces; 206 K outgoing mail pieces; 9.5 K Express Mail

The *Percentage of Costs* analysis reveals that Federal FTE (salaries) and related expenses (rent and other infrastructure) are relatively low compared to direct costs. The business uses a large space in the basement of the Forrestal Building near the loading dock (5,525 sq ft at \$207 K.) Indirect expenses are 16%, higher than the average Fund business (13%) by 3%, which computes to \$78 k higher. The direct labor costs are related to sorting and delivering mail at DOE and providing services related to express mail and outgoing postal mail. These services are provided under a contract with the National Industry for the Severely Handicapped. The social benefits of this contract must be balanced against efforts to force efficiencies. Historically this business has reduced contractual costs due to productivity improvements.

Although, not based on units, average annual billings to customers² for this business have declined by \$1.4 million/year or 41%, based on the four years before the Fund and eleven years of Fund operations.

¹ The source accounting data is from FY 2006 final STARS data, indirect costs are from the *FY 2006 Indirect Cost Analysis* prepared for the DOE IG, units of production commonly derived from the performance reports included in the *Fiscal Year 2006 Annual Report* of the WCF.

² *Working Capital Fund Benefit/Cost Analysis Update, (1997-2007)*

The largest cost segment of the mail business is internal distribution. Costs are allocated to users based on the number of mail stops they use. For this study each mail stop cost \$17,641.63 (this amount is different from the amount billed to programs). This method of allocation gives programs the incentive to reduce mailstops to avoid this cost. Because the costs are fixed in the short run, the business is caught in the cycle of increasing billing per mailstop and suffering more reductions by programs.

On the other hand, based on items of mail handled, 6.5 million, unit costs are \$.20. The Board appointed a working group to review the pricing policy to recommend a solution. Whereas a change to charging based on items of mail is appealing, this could result in reducing the incentive to manage the mailstops, and increased usage of mail stops would cause mail handling expense to increase. The business line is recommending to the working group that the Board implement a blended pricing policy based on a combination of mailstops and items of mail.

At the time of this analysis, postage and express mail charges billed to customers were based on actual payments for postage and express mail. Based on a change in pricing policy, the contractual charges related to providing these services are billed to customers, unlike the period covered in this analysis.

Cost Cutting: The mail business is trying to reduce postage costs to programs by utilizing gross mailing contracts where possible, in order to achieve discount postage rates.

Beginning in FY 2008 and FY 2009, the business will expand to add two new segments: the shuttle bus and messenger services, respectively. These new business segments could reduce the percent and unit cost for the federal employees and their related expenses. The impacts on costs to the business from these incremental business segments will be discussed in future economic analyses.

Baseline Data: Because this is the first year of this analysis, there is little data on which to baseline. However, we plan on updating this analysis with FY 2007 data which will form the basis for comparing these results for trends in fiscal years.